MEDPAC Medicare Payment Advisory Commission

MEETING BRIEF

March 10–11, 2005

Medicare Part D: Access, cost, and quality issues

ISSUE: One chapter within MedPAC's June report to the Congress will examine issues related to the implementation of Medicare's new outpatient prescription drug benefit. The focus will be on how the benefit can balance access, cost, and quality concerns. This month we will examine two issues: the formulary exceptions and appeals process, and the way enrollee premiums are set. First, we examine how private plans and state Medicaid programs handle formulary exceptions and formal appeals, as well as what issues may arise under Part D. Second, we describe how CMS will calculate federal subsidies, and the MMA's method of determining what enrollees must pay.

KEY POINTS:

- Formulary exceptions and appeals processes are used to ensure beneficiaries have access to needed medications while allowing plans to use drug management tools designed to control cost and enhance the quality of the benefit.

- All plans and state Medicaid programs have processes in place to address formulary exceptions. This presentation describes how these processes work and some of the new issues plans, beneficiaries, and providers may face as Part D is implemented.

- Premiums for Medicare's new prescription drug benefit will be set using a method in which enrollees must pay for the difference between their plan's bid and a nationwide average of bids to provide the standard benefit. As a result, enrollee premiums will vary among plans within the same region, as well as across PDP regions.

- This draft describes the method that CMS will use to calculate premiums for Part D enrollees. It looks at publicly available data and private-payer data on average levels of prescription drug spending to get a sense of how much geographic variation occurs.

ACTION: Commissioners should provide comments on scope, substance and tone of this research.

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